



# Medicaid and Health Reform: Implementation Progress and Issues

House Health and Government Operations Committee

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# Topics

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- Health Reform Issues in Medicaid
- Basic Health Program: Overview
- Basic Health Program: Results of Analysis

Medicaid

# Health Reform Issues in Medicaid

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- Reform is estimated to add 175,000 people to Medicaid
  - PAC will become a full-Medicaid benefit program
  - Many of the projected new eligibles are *currently* eligible for Medicaid.
- Primary care rates equal Medicare in CY 2013 and CY 2014 to promote access
- New eligibility system will be developed
- Coordination with Exchange
  - Navigator
  - Continuity of care study (Section 7 of SB 238)

# Basic Health Program: Overview

# The Basic Health Program

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- A new option, created by the Affordable Care Act. It is an alternative form of coverage for adults between 138-200% FPL.
- It would be offered through Medicaid MCOs.
- The federal government has not released critical guidance to inform state decision-making, e.g.:
  - Availability of Establishment Grant funds for start-up
  - Ability to utilize premiums to support admin. costs

# Financing for the BHP

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- States receive annual grants from the federal government
  - 95% of what the federal government would have spent on health insurance tax credits for adults 138-200% FPL in the Exchange
  - 95% or 100% of out-of-pocket premiums that consumers would have spent to buy insurance in the Exchange (requires interpretation of law by HHS)
- If premium collections are insufficient: additional costs would need to be paid by state funds
- If premium collections exceed the cost of buying insurance from the MCOs, the extra funds would be used to reduce individual cost-sharing obligations or enhance the benefit package

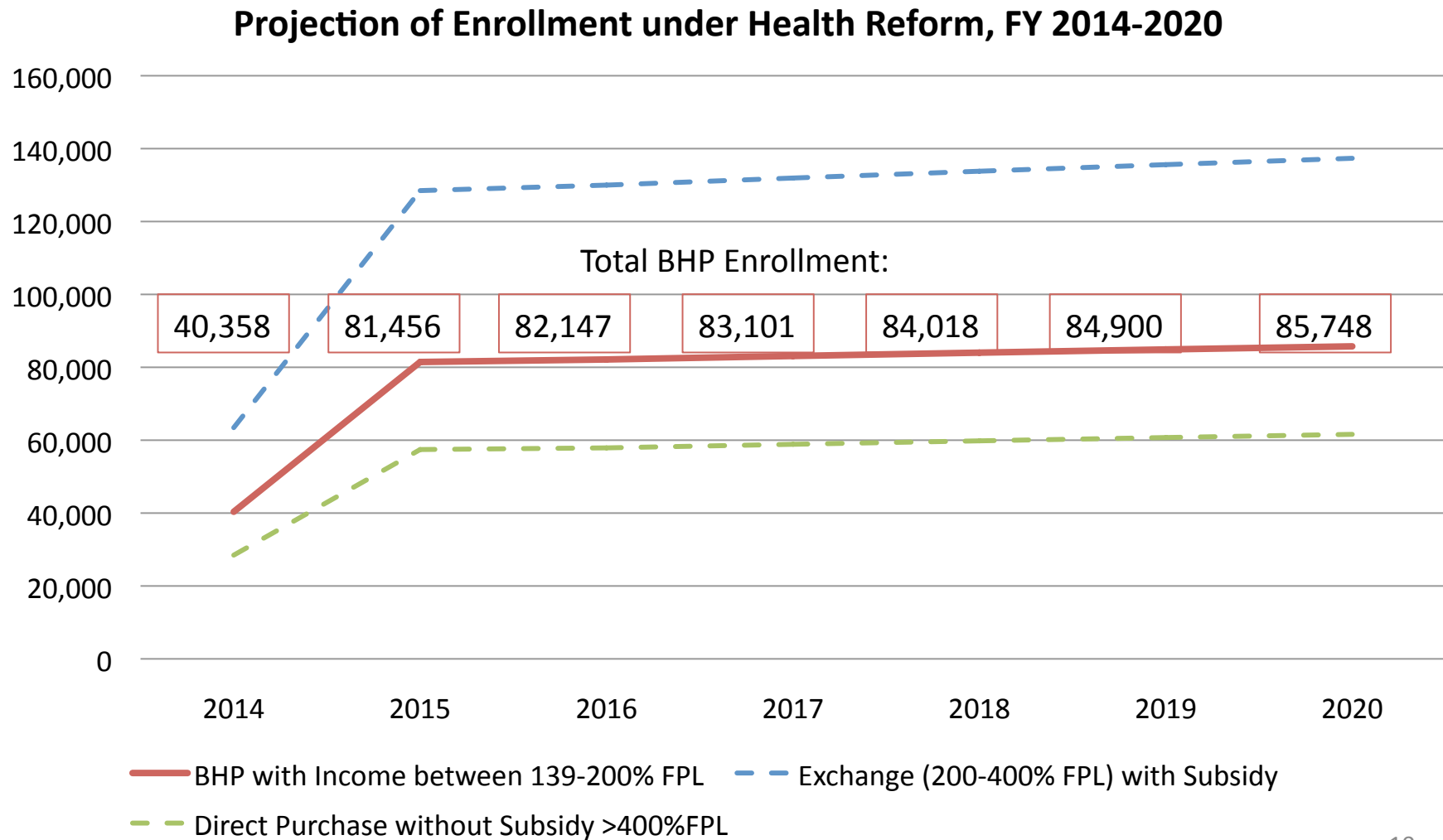
# The Basic Health Program

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Potential Advantages	Potential Disadvantages
<ul style="list-style-type: none"><li>• Consumer affordability</li><li>• Family Unity</li><li>• Plan, care, network continuity up to 200% FPL</li><li>• Effect on rates in individual market (if cohort below 200% FPL increases rates)</li><li>• Cover legally-resident aliens</li></ul>	<ul style="list-style-type: none"><li>• Effect on Exchange (scale, risk pool, financing)</li><li>• Maryland administrative issues</li><li>• Cost to state (admin and services)</li><li>• Second churn point</li><li>• Availability of providers</li></ul>

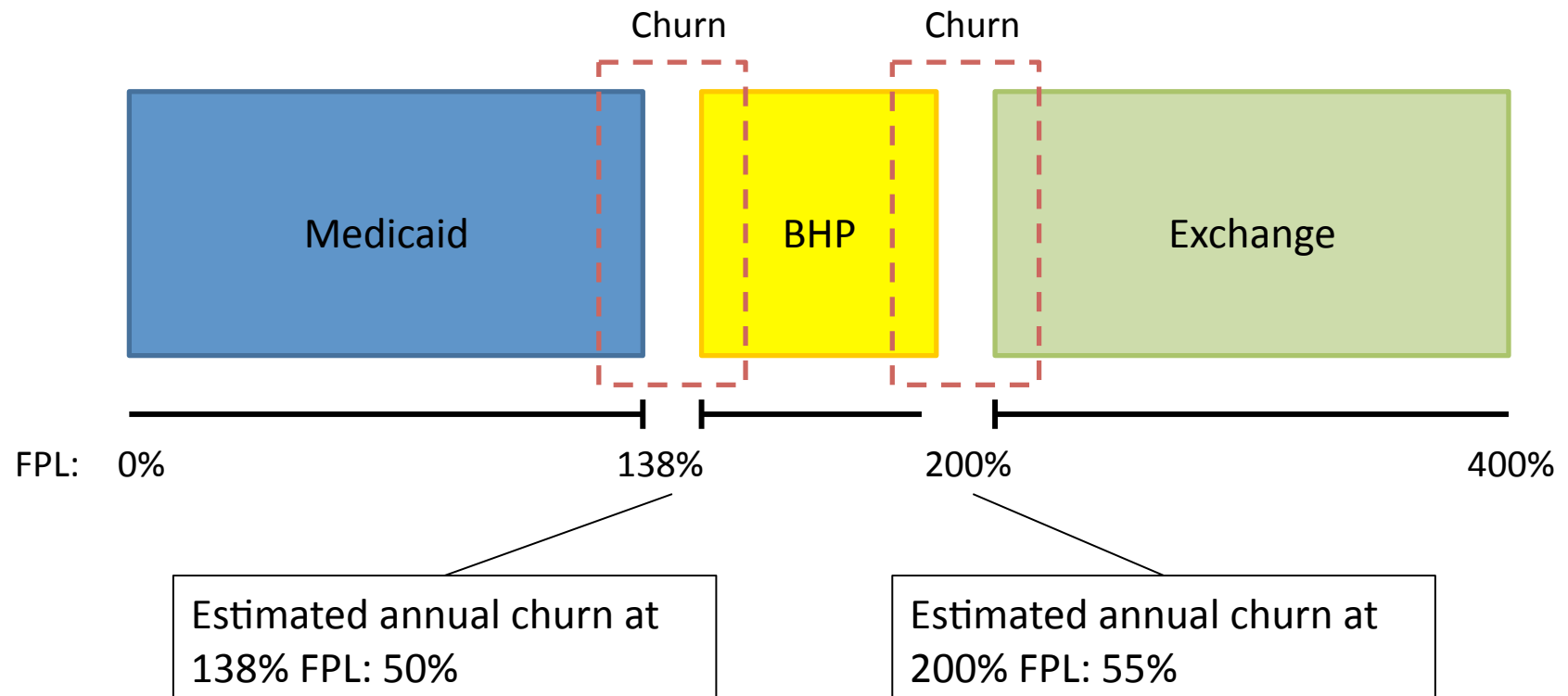
# Basic Health Program: Results of Analysis

# The BHP would enroll about 82,000 adults by FY 2016.



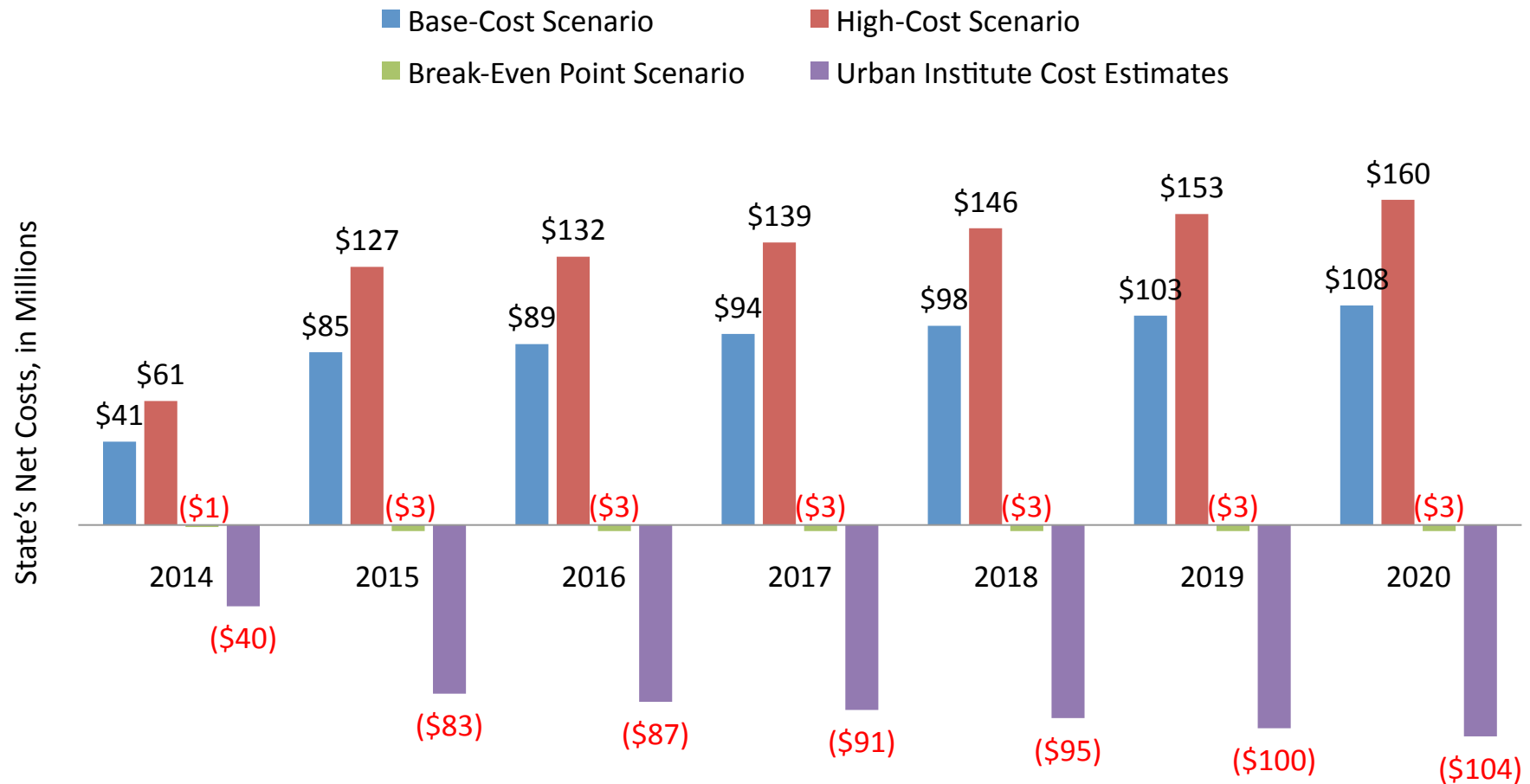
The BHP would not necessarily reduce churn; the rate of churn at 200% FPL is likely similar to the rate at 138% (and would create two points of churn).

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Note: Churn rates were estimated based on churn in the MCHP population; a study in the New England Journal of Medicine revealed similar findings.

Different financial assumptions show savings in 2014 of up to \$40 million, or a cost to the state of up to \$61 million.



Note: Cost estimates exclude 90-day payment delay.

# Basic Health Program – Medicaid's Recommendation

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- There are many potential benefits to the BHP:
  - Improved affordability
  - Increasing continuity for individuals;
  - Greater family unity in the same carrier
- Still, Medicaid recommends that DHMH decline to take a position until further federal guidance is available and key financial uncertainties and potential risks are resolved, e.g.:
  - Start-up costs
  - Ongoing administrative costs
  - Adequacy of premium contributions by federal gov't
  - Potential financial risk to state (and not matchable, unlike Medicaid)
  - Potential exacerbation of churn (at two points, not one)



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